



Arizona Department of Financial Institutions

April 20, 2018

1ST QUARTER NEWS

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A Message from Superintendent Robert D. Charlton

Governor Doug Ducey's vision is for Arizona to be the number one state to live, work, play, recreate, retire, visit, do business, and get an education. To achieve this vision, Arizona is deploying a professional, results-driven management system to transform the way our State government thinks and does business as one enterprise. State agencies are doing more good for Arizona by tracking and improving their performance each and every day.

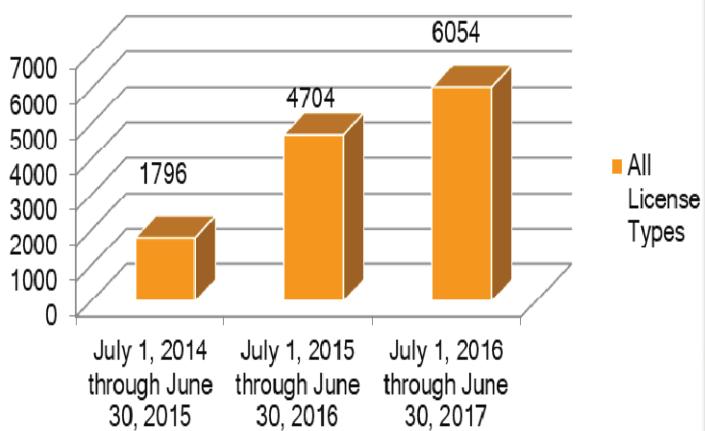
LICENSING AND NMLS

AZDFI Streamlined Mortgage Renewal Process

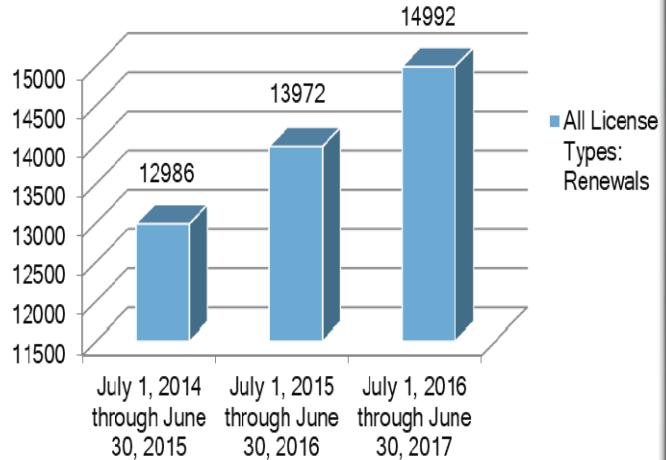
The Licensing Division revised the FY 2018 mortgage renewal process by utilizing the Nationwide Multi-State Licensing System Streamlined Renewal feature. The NMLS allows our mortgage licensees to conveniently manage their renewal in the state of Arizona by utilizing an electronic renewal process through a secure system during the mortgage renewal period. The use of this new renewal process has drastically reduced the amount of time it takes to renew a license. For the FY 2017 renewal period, the average days to renew a license was 44 days. For the FY 2018 renewal period, the average days to renew a license dropped significantly to 4 days. This represents a 91% decrease in the amount of time our mortgage industry had to wait for their license to be renewed.

(continued page 2)

New Licensees by Fiscal Year



All License Types: Renewals



NMLS Overview

(continued)



Nationwide Multistate Licensing System

Not everyone in the financial industry is completely familiar with the Nationwide Multistate Licensing System (NMLS). It is important to know what the NMLS is not. Contrary to popular misconception, the NMLS is not a nationwide mortgage license. However, the NMLS is a centralized national repository for all fundamental information related to companies, their directors, and their branch offices. The system was developed with the help of the same organization that centralized this same type of information for the securities industry.

Centralized Database

The purpose of the NMLS is to maintain a centralized database that can be accessed by regulatory agencies around the country. To accomplish this task, each participating state has agreed to join the NMLS, foregoing state-specific forms in favor of national application forms. These national application forms entitled MU1, MU2, MU3 and MU4, involve information related to companies, their directors and branch offices. The original paper forms have since been replaced by online application forms.

Benefits

There are several benefits of the NMLS. First of all, all state regulators have access to one uniform set of data for any given company and the individuals associated with it. Second, it streamlines the licensing process for companies throughout the country. New companies will file original license applications using the online NMLS registration process, and all existing licensed companies may transition to the online registration process to upload their information.

Who's Required to Participate?

The Arizona Department of Financial Institutions requires, by statute, Mortgage Bankers, Mortgage Brokers, Commercial Mortgage Bankers, Commercial Mortgage Brokers and Loan Originators to use the NMLS. Companies that are considered non-mortgage license types are not required to utilize the NMLS.

THE FOLLOWING LICENSE TYPES ARE NOW AVAILABLE TO BE MANAGED THROUGH NMLS:

Advance Fee Loan Brokers

Collection Agencies

Consumer Lenders

Commercial Mortgage Bankers

Commercial Mortgage Brokers

Debt Management Companies

Escrow Agents

Loan Originators

Money Transmitters

Mortgage Bankers

Mortgage Brokers

Premium Finance Companies

Sales Finance Companies

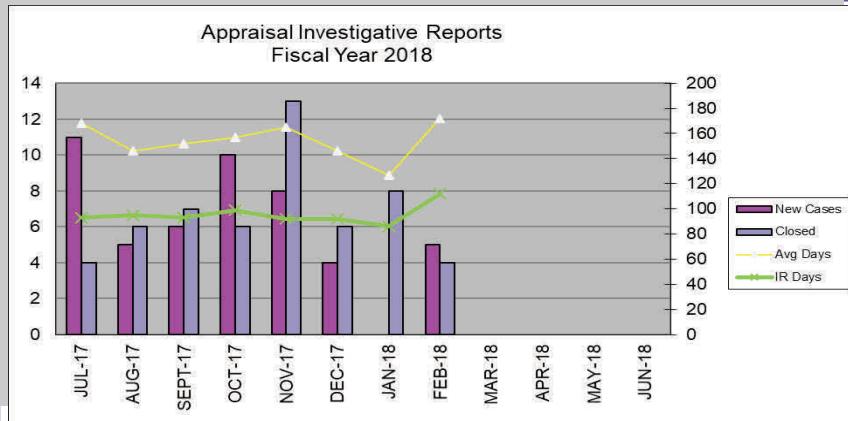
CONSUMER AFFAIRS

This 2018 fiscal year, the department has received over 408 complaints. The average time to resolve a complaint is 42 days. The Department began identifying cost saving procedures for the benefit of Arizona consumers and licensees. The most significant improvement made was creating a system to process complaints electronically. This change not only resulted in an efficient process, it also resulted in a reduced average processing time to 39 days in the third quarter of the fiscal year.

The Consumer Affairs Division also investigates complaints filed against individuals or companies suspected of engaging in unlicensed activities ("ULAs"). To date, during fiscal year 2018, the Department received 27 ULAs. Persons conducting business without the proper license are of a great concern to the Department. If you suspect that you have been a victim of a financial institution or enterprise that does not have a license to conduct business in Arizona, you may obtain a complaint form from our website at

<http://azdfi.gov/Consumers/Complaints/Complaints.html>

You may search the list of individuals/companies that the Department currently licenses and regulates at <http://azdfi.gov/Consumers/Licensees/default.asp>. Looking into the future, the Department's focus is to continue to build a complaint processing system that is effective, user friendly, and accessible to Arizona citizens and businesses.



APPRAISAL COMPLAINTS:

The Department takes in and resolves a number of complaints against appraisers. The graph to the left reflects the number of new complaints received, the number that were resolved (closed) and the average number of days from the date a complaint was received to the date it was resolved.

LEGISLATIVE UPDATE

The 53rd Legislature, 2nd Regular Session started January 8th, 2018. The Arizona Revised Statutes have been updated to include the revised sections from the 53rd Legislature, 1st Regular Session. The Department of Financial Institutions (DFI) will be posting a complete analysis of all legislative changes that affect Title 6 or any of the Departments licensees to its website before any changes go into effect. The general effective date is typically 90 days after Adjournment sine die.

One major change occurred this session in the Banking and Insurance Committee (B&I). Because of a vacancy in the House, Representative David Livingston was asked to take the Chair of the Appropriations Committee. Majority Leader John Allen was appointed as the B&I Chair on February 26, where he will serve the remainder of the session.

For any specific questions regarding legislation that may affect you, please contact the DOI's Legislative Liaison,

Stephen Briggs at sbriggs@azdfi.gov.

ARIZONA MANAGEMENT SYSTEM

In response to the Governor's direction, the Arizona Department of Financial Institutions (AZDFI) has deployed the Arizona Management System (AMS) which strives to eliminate waste and increase efficiency in order to better serve the citizens of Arizona. The Department's leadership team is executing lean processes and have been extensively trained to ensure effective and responsible implementation of AMS throughout the Department.

Significant progress has already been made by AZDFI:

- ⇒ The Department has reduced the average application processing time this fiscal year for the following license types: Collections agencies from 115 days to 3 days, commercial mortgage bankers from 33 days to 2 days; commercial mortgage brokers from 65 days to 6 days; consumer lenders from 114 days to 8 days; escrow agents from 133 days to 6 days; mortgage bankers from 85 days to 5 days; loan originators from 29 to 10 days; mortgage brokers from 66 to 3 days; money transmitters from 167 days to 3 days; sales finance companies from 48 days to 1 day.
- ⇒ The Department has transitioned the application process to NMLS for certain non-mortgage licensees, including collection agencies, consumer lenders, debt management companies, money transmitters, escrow agents, premium finance companies, sales finance companies and advance fee loan brokers. This conversion will help streamline the application process for licensees and the Department.
- ⇒ AZDFI management is working with the Government Transformation Office (GTO) for the strategic planning and pre-work facilitation process. This process will provide support to AZDFI while walking AZDFI through the process of identifying improvement opportunities.

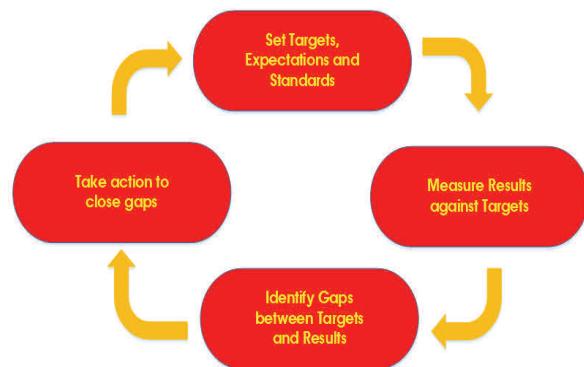
GOVERNOR DUCEY'S VISION



State agencies are doing more good for Arizona by tracking and improving their performance each and every day.

Priorities

- ◆ Educational Excellence
- ◆ 21st Century Economy
- ◆ Happy & Healthy Citizens
- ◆ Protecting Our Communities
- ◆ Fiscal Responsibility



Continuous Improvement

The tools of the management system help us see and visually manage for performance. Every cabinet agency today tracks its most important mission performance measures on agency scorecards, and their executive leadership meets for monthly business reviews to measure progress on their scorecard targets and to take stock of the agency's overall health and performance.

For More Information

To learn more, please visit <http://ams.az.gov>

FINANCIAL SERVICES DIVISION

A friendly reminder that annual/semi-annual reports are not a requirement of renewing a license. If you need to submit or make a change to your report, select the option on the renewal form that says "Changes to your License?" Then submit the change form, along with the renewal, and pay any fees associated with the change. At the time of examination, if any required reports are missing, late fees will be assessed at that time. Please note the due dates of when your renewal and report(s) are due to the Department in the below chart. To avoid accumulating daily fees, be sure to turn reports and renewals in timely.

	Renewal	Report Due	Semi-Annual Report
Collection Agencies	December 31	N/A	Fictitious Name Report July 1 and December 31
Consumer Lenders	June 30	Annually October 1	N/A
Debt Management Companies	June 30	Annually August 15	N/A
Escrow Agents	September 30	Annually April 30	August 15 & February 14
Money Transmitters	October 31	Quarterly See A.R.S. 6-1211	N/A
Premium Finance Companies	December 31	Annually February 1	N/A
Sales Finance Companies	June 30	N/A	N/A



Escrow Agents, Consumer Lenders, Money Transmitters, Sales Finance Companies, and Debt Management Companies –

Your Arizona state license must be conspicuously posted with the correct addresses of the places of business at which you are operating.

FUN FACTS

85%

The sun shines in Phoenix and Tucson 85 percent of the year, even more than Florida and Hawaii.

Yuma, AZ gets even more days of sunshine – 90

FINANCIAL SERVICES DIVISION

REAL PROPERTY APPRAISER QUALIFICATION CRITERIA

The Appraiser Qualifications Board of The Appraisal Foundation establishes the minimum qualifications for real property appraisers in the United States. Effective May 1st, AZDFI will adopt the new AQB requirements for appraisal licensure. The most significant change is the alternatives to the college degree requirement. Additional information can be found on the ASC website:

<https://appraisalfoundation.sharefile.com/share/view/s4oe6o7fbod64915a>

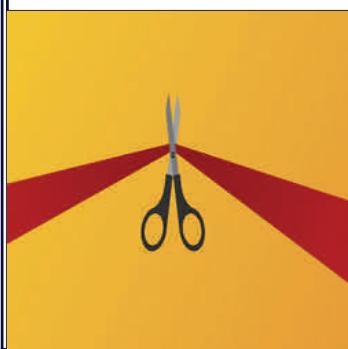
College-Level Education		
	PREVIOUS	NEW
Licensed Residential	January 1, 2015 – April 30, 2018 30 Semester Hours of College-Level Education	May 1, 2018 No College-Level Education Required
Certified Residential	Bachelor's Degree or Higher	(See Chart of Options on Next Page)

COMMON USPAP VIOLATIONS

The Department investigates all complaints against appraisers that meet our jurisdictional requirements. Although some complaint allegations are determined to have no merit, Policy Statement 7 from the Appraisal Subcommittee requires states to analyze each complaint to determine whether additional violations, especially those related to USPAP, should be added to the complaint. Common violations continue to include a lack of documentation in the workfile for the appraiser's opinions and conclusions, a violation of the Record Keeping Rule. Failing to support adjustments to comparable sales and properly analyze seller concessions, purchase contracts, and prior sales history are cited as violations of SR1-1, 1-4, and 2-2(a)(viii). Fannie Mae and the Appraisal Practices Board offer advice on these and other relevant topics and are invaluable resources for appraisers in this ever-changing environment.

https://appraisalfoundation.org/imis/TAF/Resources/Guidance/TAF/Valuation_Advisories

<https://www.fanniemae.com/singlefamily>



WE NEED YOUR HELP

There's no regulation too small or rule too out-of-date to suggest eliminating to expand opportunities for people across the state. Visit <http://azgovernor.gov/redtape> and make a difference today. You send it and we'll see it, because big things can happen when government gets out of the way of innovation, creativity, and entrepreneurship.

The passage of HB2061 removes the mandatory examination time periods for certain financial enterprises. This bill relieves the Superintendent of compulsory exams of Appraisal Licensees.

By The Numbers:

		Appraisal Licensees
	July 2000	April 2018
Licensed	363	152
Certified		
Residential	668	1,109
Certified		
General	<u>637</u>	<u>772</u>
Total	<u>1,668</u>	<u>2,033</u>

The above numbers do not include temporary practice permits.

ARIZONA FUN FACTS



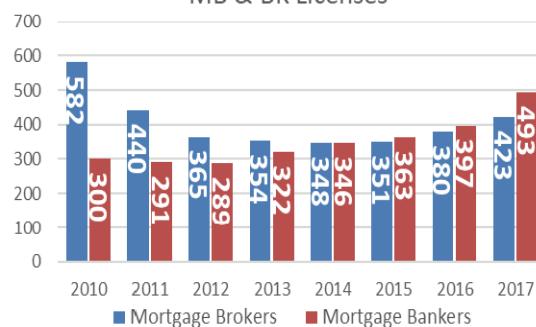
The amount of copper on the roof of the Capitol building is equivalent to 4,800,000 pennies.

MORTGAGE DIVISION

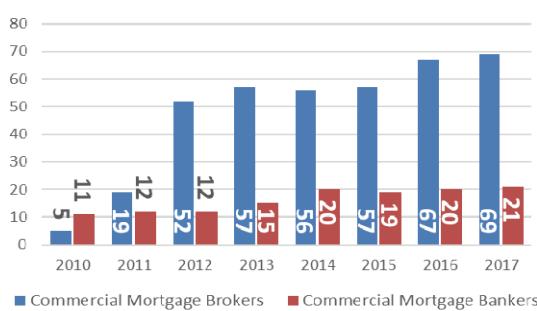
Since 2010, the Mortgage Division has seen a significant increase in the number of Licensees it regulates. The number of mortgage brokers licensed in Arizona fell from 582 in 2010 to a low in 2014 of 348 but has risen every year since to 427 as of the end of March 2018. Mortgage Banker licenses have increased over 50% since 2010 to reach 496 licensees. Commercial Mortgage Banker licenses have nearly doubled and Commercial Mortgage Broker licenses have increased by a multiple of nearly 14 to 70 licensees. Of course, 2009 saw the implementation of LO licensing and by the end of 2010 Arizona had nearly 4,000 licensed mortgage loan originators. The number of LOs rose steadily each year reaching 8,253 by the end of 2014. In 2015 Arizona adopted the NMLS Uniform State Test (UST) and LO licensing increased by nearly 20% to 9,882 by the end of that year and skyrocketed to 17,768 by the end of March 2018.



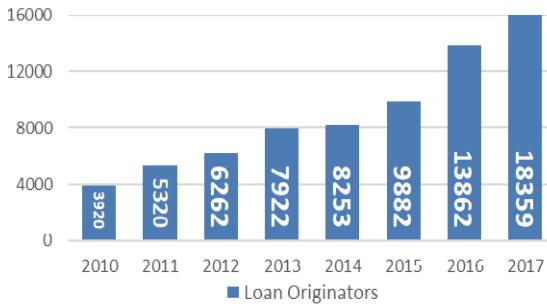
MB & BK Licenses



CMB & CBK Licenses



LO Licenses



Reminder to Mortgage Licensees:

We are beginning to offer online billing and payments for examination fees for our licensees through NMLS. Licensees will receive an email when they are invoiced through NMLS and will be able to log into their NMLS account to pay that invoice. We would like to remind our Licensees that even though exam fees will be paid online Licensees are still required to submit a written response to the examination findings by the due date noted on the letter they receive with the examination report.

A Note to Mortgage Broker Licensees and Candidates:

The Department has created a new handbook to guide individuals who intend to take the mortgage broker test and it can be found [here](#). The Department will also be offering the mortgage broker test on a monthly basis, the first Tuesday of every month, rather than semi-annually. Please refer to the [handbook](#) and the Schools and Test Information [page](#) on the Department [website](#) for any other questions.

CREDIT UNION DIVISION

A Message from the Credit Union Division

In April, Marie Corral joined AZDFI's Management Team as the new Credit Union Division Manager.



Ms. Corral joined the Department in 2007 and concentrated her work primarily on credit unions. Ms. Corral is a Certified Examiner who applied her wide-ranging federal and bank industry experience to meet AZDFI's objectives, to supervise credit unions, banks and trust companies, to enforce federal regulations and state statutes, and to support the Arizona government's goal of protecting financial interests of credit union members and depositors. Those endeavors helped her build a solid foundation of field requirements, understanding of independent committees and the institutions' board governance, collaboration with NCUA contacts, and familiarity with other matters relative to the credit union industry. Beginning in 2011, her work expanded into banks and trust companies. Due to the needs of the Department, Ms.

Corral was the only examiner who worked on assignments with the NCUA, the FDIC, the CFPB and the Federal Reserve teams. Ms. Corral was in charge of several examinations over the years and trained others as opportunities arose. Her initial plans as a manager now are to oversee and help improve the supervision and examination

"Credit union" means a cooperative nonprofit association which is incorporated under this chapter for the purposes of encouraging thrift among its members and creating a source of credit and other financial services at fair and reasonable cost.



Credit Union

Credit Union Examinations

The superintendent shall examine or cause to be examined each credit union at periodic intervals as provided by section 6-122. The superintendent shall forward a report of the examination to the board of directors of the credit union examined within thirty days after completion of the report. The Credit Union Division currently oversees 19 Licensees. In fiscal year 2017 and year to date 2018, the Division completed 14 examinations. In compliance with A.R.S. § 6-502 the average time for reports to be delivered to the board of directors was 12 days.

processes to better support the Department's goals and values. The Credit Union Division ~ with Ms. Corral at the helm, the Division's remarkable Administrative Assistant, and the Division's familiar, accomplished folks on the examination team ~ will uphold a credible and responsive regulatory environment to corroborate the safety and soundness of credit unions chartered by the great State of Arizona.

BANK AND TRUST COMPANY DIVISION

Division Update

Effective mid-March 2018, **Greg Dunn** became the manager of ADFI's Bank and Trust Company Division. Mr. Dunn has over thirty years of experience examining both financial institutions and enterprises. Greg joined our Department in 1994, and prior to joining our team, he worked at the Federal Home Loan Bank of San Francisco and the Office of Thrift Supervision. He has a broad spectrum of experience in multiple facets of risk management affecting the regulated entities.



Appraisal Regulation Changes



On April 2, 2018, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency issued a final rule that increases the threshold for commercial real estate transactions requiring an appraisal from \$250,000 to \$500,000. This will materially reduce regulatory burden and the number of transactions that require an appraisal. The agencies determined that the increased threshold will not pose a threat to the safety and soundness of financial institutions.

The final rule allows a financial institution to use an evaluation rather than an appraisal for commercial real estate transactions exempted by the \$500,000 threshold. Evaluations provide a market value estimate of the real estate pledged as collateral, but do not have to comply with the Uniform Standards of Professional Appraiser Practices and do not require completion by a state licensed or certified appraiser.

The final rule responds, in part, to concerns financial industry representatives raised that the current threshold level had not kept pace with price appreciation in the commercial real estate market in the 24 years since the threshold was established and about regulatory burden during the Economic Growth and Regulatory Paperwork Reduction Act review process completed in March 2017. The threshold for residential real estate remained unchanged at \$250,000.





Important News!!!



AZDFI will be moving to
100 N 15th Avenue Suite #261
Phoenix, AZ 85007
 in the near future!

More details to come!

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Our Mission

- ◆ To license, examine, and supervise Financial Institutions, in compliance with State law, to ensure safety for the Arizona consumer and soundness for the Arizona business.

Our Vision

- ◆ Advance a nationally recognized, strong and vibrant financial marketplace benefiting Arizona citizens and businesses.

Our Goals

- ◆ To conduct a professional, efficient and effective examination program, meeting statutory requirements and ensuring licensees operate in a safe and sound manner and comply with all applicable laws.
- ◆ To create new strategies to keep pace with the changing financial services industry.

Our Strategies

- ◆ A thorough investigation of the applicants for all permits and licenses issued by the Department at the speed of business.
- ◆ An ongoing program of examination of licensees to determine the safety and soundness of their operations and to identify those licensees with serious financial or operational problems.
- ◆ Ensuring that management of the licensees initiate timely and effective corrective action by complying with Arizona Statutes and Rules.